



HAWAII TOURISM AUTHORITY

Annual Report to the Hawaii State Legislature

Governor Benjamin J. Cayetano
Shari W. Chang, Chair, Hawaii Tourism Authority
Robert J. Fishman, Chief Executive Officer, Hawaii Tourism Authority

2000

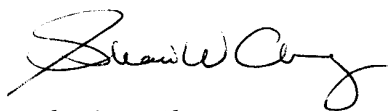
LETTER FROM THE HAWAII TOURISM AUTHORITY

We are pleased to present to you the Hawaii Tourism Authority's (HTA) Annual Report for CY 2000. This report summarizes the activities and accomplishments of the Authority for this year as we continue, in our second year of operations, to lay the groundwork for a successful visitor industry into the new millennium.

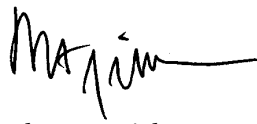
Reflecting on the past months, Hawaii has reaped the benefits of a strong year of tourism and travel. Fueled by the continuance of a strong U.S. economy, a resurgence of the Asian economies and the commitment of our many tourism partners in the public and private sectors, the performance of Hawaii's 2000 visitor industry has been dynamic. At the time of this report, the forecast for 2000 over last year includes a healthy increase in visitor days of 4.8 percent and a significant growth of 6.5 percent in per person per day spending over last year. Additionally, airlift to our shores has seen a rebound, hotel occupancy for the state is at its highest since 1991 and major improvements to our visitor product are evident throughout the islands.

While these are all good signs, the HTA's primary goal is to strengthen the visitor industry component of Hawaii's economy through increased visitor expenditures, and this can be accomplished without necessarily tying that growth to visitor arrivals. According to the latest research, by year-end, travelers are estimated to have spent over \$11 billion in Hawaii, a substantial increase of 11.5 percent over last year. And this is good news for not only the industry, but for every resident of the state who benefits directly and indirectly from every visitor dollar spent. As the primary economic engine for the state, the tourism industry supports over 181,050 jobs or 1 in every 3 jobs in Hawaii and generates \$2.0 billion in taxes, or 27 percent of total taxation for the state.

The Hawaii Tourism Authority, with its partners in government, the private sector and the community, has been busy over the last several months and the success of this partnership is reflected in this year's numbers. As such, we would like to acknowledge the invaluable contributions and support of many individuals and organizations throughout Hawaii—the State Administration and Legislature, other government agencies, visitor and business industries, community groups, and Hawaii's residents—who made this all possible. Our work will only be successful with your continued participation, support and kokua. Mahalo to all of you!



Shari W. Chang
Chair



Robert J. Fishman
Chief Executive Officer

Note: Report presents information through November 3, 2000.

HAWAII TOURISM AUTHORITY

MEMBERS AND STAFF

Members

Representing

Shari W. Chang, Chair
Senior Vice President of Sales & Marketing
Aloha Airlines

At-Large

W. David P. Carey, III, Vice-Chair
President & CEO,
Outrigger Enterprises, Inc.

At-Large

Gary J. Baldwin
Managing Director
Kauai Technology Center

Kauai

David H. Gleason
General Manager
The Dunes at Maui Lani

Maui

Kazu Hayashida
Director, State of Hawaii,
Department of Transportation

Ex-Officio

Millicent Kim
President
Millicent Kim, Inc.
Research Consultant

Hawaii Island

Gilbert M. Kimura
Regional Sales Manager,
Japan Airlines

At-Large

Kalowena Komeiji
Event and Public Relations Consultant

Community

Seiji F. Naya
Director, State of Hawaii,
Department of Business,
Economic Development & Tourism

Ex-Officio
At-Large

Peter H. Schall
Vice President & Managing Director,
Hilton Hawaiian Village
Area Vice President - Hawaii

At-Large

Roy Tokujo
President & CEO
Cove Marketing, Inc.

City & County of Honolulu

Keith Vieira
Senior Vice President,
Director of Operations - Hawaii
Starwood Hotels & Resorts Worldwide, Inc.

At-Large

Members *(continued)*

Ron Wright
Managing Director,
Sales and Marketing - Hawaii
Continental Airlines

Representing

At-Large

STAFF

Robert J. Fishman	Chief Executive Officer
Lloyd I. Unebasami	Chief Administrative Officer
Muriel A. Anderson	Director of Tourism Programs
Lynn D. Bautista	Contracts Specialist
Sharon M. L. Freitas	Communications Officer
Kay Fujimoto	Convention Center (C.C.) Executive Secretary
Lori Guerin	C.C. Secretary
Harumi Hatchie-Leong	Administrative Assistant
Darlene S. Ko	Accounting Assistant
Lorraine Koike	C.C. Program Specialist
Jamie K. Lum	Tourism Specialist
Stella J. Montero	Budget/Fiscal Officer
Ka'iulani K. Piper	Tourism Specialist
Gerry Silva	Communications & Special Projects Coordinator
Vengie S. Talaro	Secretary
Eleanor Thommes	Executive Assistant to C.E.O.
Suzanne Varady	C.C. Community Relations Specialist
Jan M. Yamane	Accountability & Research Coordinator
Caroline Yap	Tourism Specialist

TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY	1
II.	OVERVIEW OF THE HAWAII TOURISM AUTHORITY (HTA)	3
III.	IMPLEMENTATION OF INITIATIVES	6
	A. COMMUNICATIONS AND COMMUNITY RELATIONS	6
	B. MARKETING	9
	C. EVENTS	12
	D. PRODUCT DEVELOPMENT	14
	E. AIRLIFT	17
	F. INFRASTRUCTURE AND SUPPORT SERVICES	18
	G. REGULATIONS AND INVESTMENT INCENTIVES	18
IV.	OTHER EFFORTS	20
V.	FUTURE CHALLENGES	23
VI.	HAWAII'S TRAVEL & TOURISM INDUSTRY	24
VII.	ATTACHMENTS	
	A. HTA FISCAL YEAR (FY) 2000 ACTUALS	27
	B. RESPONSIBILITIES OF THE HTA	28

I. EXECUTIVE SUMMARY

The Hawaii Tourism Authority (HTA), established by Act 156, SLH 1998 and activated by Governor Benjamin J. Cayetano in October 1998, is the lead tourism agency responsible for creating a vision and developing a long-range plan for tourism for the State of Hawaii. In carrying out these responsibilities as the overall body charged with tourism direction for the state, the HTA is guided by its mission:

To manage the strategic growth of Hawaii's visitor industry in a manner consistent with the economic goals, cultural values, preservation of natural resources and community interests of the people of Hawaii.

In its first full year of operation (1999), the HTA, with assistance from stakeholders throughout the State, developed its Tourism Strategic Plan, *Ke Kumu – Strategic Directions for Hawaii's Visitor Industry*—a living document that identifies seven strategic initiatives for the Authority to focus its efforts on and which provides the framework to guide the Authority's operations.

In its second year of operation, the HTA quickly commenced from a planning mode to one of implementation, thereby, spurring much activity among the various initiatives. Assistance, and in some cases, a more active role to drive these efforts, was provided by the team of first-class professionals contracted by the HTA to serve as resources to the agency. Providing the Authority with expertise, knowledge and experience in their respective fields of marketing, events, and research, these key team members, together with the board and staff, were also responsible for delivering critical elements of *Ke Kumu* for this year. A quick synopsis of the major efforts initiated by the Authority for this year is outlined below:

- **Initiative A.** Developed and launched: 1) Tourism Education Program for students, grades K–12; 2) Statewide tourism awareness campaign; and 3) Outreach efforts to selected stakeholder groups.
- **Initiative B.** Successfully negotiated three-year marketing contracts with the Hawaii Visitors and Convention Bureau (HVCB) for Tourism Integrated Marketing Services and Conventions, Meetings and Incentives Services.
- **Initiative C.** Dramatic progress in this key initiative included the following activities: 1) Building an event marketing portfolio for the HTA; 2) Conducting market research to evaluate, enhance and validate HTA's approach to event marketing; 3) Developing partnerships with two brand name sports organizations—National Football League and Professional Golf Association; and 4) Securing a renewable contract with TEAM Unlimited to continue successful management of this initiative.
- **Initiative D.** Important strides in this directive were made as follows: 1) Partnering with more than 100 entrepreneurs, associations, non-profit organizations and government agencies to diversify the amounts and types of attractions, activities and programs in eight niche market areas throughout the islands; 2) Enhancing community-based organizations

by providing them practical business support and encouraging them to operate at a higher level; and 3) Developing a Festivals Plan.

- **Initiative E.** Endeavors to enhance airlift to our shores were primarily in the developmental phases, as follows: 1) Establishment of the Airline Facilitation Council; 2) Collection and synthesis of relevant data; and 3) Efforts to strengthen the communication between major carriers and Hawaii.
- **Initiatives F&G.** Assuming an advocacy role in these areas, the HTA's actions in these initiatives has resulted in the following efforts: 1) Developing relationships with other public agencies (e.g., federal government and the State Department of Land and Natural Resources) and private organizations; 2) Providing testimony on specific issues; and 3) Seeking federal funds for infrastructure and resource management.

Additionally, a significant portion of the Authority's energies for this year went to directives not contained in the original seven-point strategy for tourism articulated in *Ke Kumu*. These efforts included:

- Assumption of the Hawaii Convention Center as a last minute initiative of the 2000 Legislative Session, and handling the transition smoothly and effectively;
- Securing the prestigious Asian Development Bank Meeting in Hawaii in May 2001 at the Hawaii Convention Center. Additionally, the HTA was named as the Executive Agency to oversee this major international event; and
- Participation in the state's Performance-Based Budgeting Pilot Project to determine performance measures of the Authority's programs.

Looking back over the last several months, it has been a very busy and productive year for the HTA. More importantly, it has been a year of focusing our vision for the future as it is HTA's responsibility to provide short-term economic stimulus to the state economy while considering the needs of future generations. As such, the groundwork that is being developed today, will lay the foundation for tomorrow's tourism industry.

II. OVERVIEW OF THE HAWAII TOURISM AUTHORITY

On July 9, 1998, Governor Cayetano signed into law Act 156, SLH 1998 creating a new governance system for Hawaii's visitor industry, the Hawaii Tourism Authority (HTA). Effects of this legislation are briefly outlined below:

- Increase of the Transient Accommodations Tax (TAT), otherwise known as the Hotel Tax, from 6 percent to 7.25 percent and broadened to include time-share units.
- Provided for dedicated tourism marketing with 2.75 percentage points of the TAT dedicated to create an annual tourism fund at an internationally competitive level for tourism related activities.
- Established a cabinet-level Executive Board, the Hawaii Tourism Authority, to oversee the new tourism fund, create a vision for tourism and administer tourism development from a statewide perspective. The 13-member board is composed of both public and private sectors and includes neighbor island representation.
- Transferred the collection of tourism-related data and basic research previously handled by the Hawaii Visitors and Convention Bureau (HVCB), a private non-profit organization contracted by the state for marketing and promotion, to the Research and Economic Analysis Division (READ) of the Department of Business, Economic Development and Tourism (DBEDT), effective January 1, 1999, in order to provide independent review and evaluation of trends in the visitor industry.

With a first-ever, dedicated source of tourism funding at a globally competitive level, and a cabinet-level board of directors to oversee that fund, the HTA offers exciting opportunities to lead Hawaii's visitor industry into the new millennium.

Organization of the HTA

The HTA board of directors consists of 11 voting members and two ex-officio, nonvoting members representing members of the visitors industry, business community, and community-at-large, as well as the four Counties of the State. This select blend of representation assures a diversity of views from public, private and island interests.

To enable the Authority to achieve its mission and implement the initiatives outlined in its Tourism Strategic Plan, *Ke Kumu – Strategic Directions for Hawaii's Visitor Industry*, the Authority restructured last year's standing committee groups to reflect a better use of its resources and to spur activity within each of the initiatives. The revised committee structure which was assumed at the start of this year, enabled the Authority to successfully move from a planning stage to one of implementation, is as follows:

- The **Product Development and Community Programs Committee** (Initiatives A and D) provides oversight and assistance with the HTA's Product Development Program as well

as the Authority's public relations, communications, community affairs and programs. Committee members: Kalowena Komeiji (Chair), Gary Baldwin, David Gleason, Millie Kim and Roy Tokujo.

Staff: Muriel Anderson, Sharon Freitas, Jamie Lum and Caroline Yap.

- The **Marketing Committee** (Initiative B) oversees the performance of the marketing contractors.
Committee members: Peter Schall (Chair), Gary Baldwin, Keith Vieira, Gilbert Kimura and Ron Wright.
Staff: Muriel Anderson.
- The **Events Committee** (Initiative C) provides supervision of major events and contractors.
Committee members: Roy Tokujo (Chair), David Carey, David Gleason, Millie Kim and Kalowena Komeiji.
Staff: Muriel Anderson and Jamie Lum.
- The **Budget and Finance Committee** oversees the budget and finances of the HTA.
Committee members: Gary Baldwin (Chair), David Carey, Kalowena Komeiji, Keith Vieira and Ron Wright.
Staff: Lloyd Unebasami.
- The **Strategic Planning and Accountability Committee** has general oversight and accountability of all of the HTA's programs and contracts and provides updates of the strategic plan.
Committee members: David Carey (Chair), Gary Baldwin, Seiji Naya and Peter Schall.
Staff: Jan Yamane and Caroline Yap.

The HTA Chair and Vice-Chair also serve as ex-officio members to each of the above committees. In addition to the above standing committees, the HTA exercises its discretion to establish ad hoc committees to handle special projects and programs on an as needed basis. Such committees have included the Airline Facilitation Council as well as negotiating committees for various contracts.

The HTA Board of Directors provides guidance and policy oversight to the Authority's Chief Executive Officer and the Chief Administrative Officer who are supported by a staff of seventeen, whose primary responsibilities include carrying out committee directives, implementing the initiatives of the strategic plan and handling the day-to-day operations of the agency. Additionally, the HTA has contracted with key professionals in their respective fields to serve as resources to the board and staff in fulfilling the Authority's charge as the overall body responsible for Hawaii tourism. Such resources include the HVCB, TEAM Unlimited, SMG and READ.

Ke Kumu – Strategic Directions for Hawaii's Visitor Industry

Last June, the HTA developed a Tourism Strategic Plan, *Ke Kumu – Strategic Directions for Hawaii's Visitor Industry*—to strengthen tourism for the benefit of Hawaii's community. It

was based on two foundation studies, a competitive analysis of Hawaii's visitor industry and a product assessment of the offerings that Hawaii provides the visitors. Once drafted, the HTA took *Ke Kumu* out to the various island communities for their review and further input in a series of public meetings that were held throughout the state. This strategic planning process resulted in an island-wide collaboration to determine and validate the strategic direction in which the HTA and tourism should be headed.

It is HTA's intent that *Ke Kumu* form the basis upon which Hawaii's future as a visitor destination be built and thus provide the overall direction for Hawaii's visitor industry in the 21st century and beyond. For this reason, *Ke Kumu* is intended to be a work in progress, continually revised and reshaped according to community needs, industry trends and the Authority's overall guidance.

Measurable Goals

The overall goal of the HTA is to achieve managed growth of Hawaii's tourism industry by focusing on increasing **visitor expenditures**—a combination of *spending per day*, *length-of-stay*, and *visitor arrivals*. The goal set forth in *Ke Kumu* is growth in visitor expenditures at an average annual growth rate of 4.6 percent unadjusted for inflation through 2005. This goal was set for the state as a whole and the HTA is working very closely with READ to develop specific visitor expenditure goals for each county.

This is significant because for the first time, the state is focusing on visitor expenditures rather than visitor arrivals. In the past, the health of Hawaii's visitor industry was monitored by counting the number of visitor arrivals coming into the state. However, the HTA recognizes that there is a physical limit to visitor arrival growth and that by marketing more effectively, Hawaii can increase visitor expenditures without necessarily increasing visitor arrivals. Additionally, visitor spending is a better reflection of the real economic impact of tourism to the state than just visitor arrivals.

Strategic Initiatives

Ke Kumu identifies seven targeted initiatives to guide Hawaii's tourism industry into the new millennium. These initiatives reflect the complex nature of tourism and the various components that need to work together to deliver products, services and experiences that are satisfying to visitors, compatible with Hawaii's lifestyle, and assist in the overall diversification of Hawaii's economy—all part of HTA's responsibilities. Together, they are the building blocks that the Authority has developed to lay the foundation for a solid, successful visitor industry for Hawaii for the near-term and well into the future.

III. IMPLEMENTATION OF INITIATIVES

As implementation is key to any successful strategy, the HTA in its second year of operations has quickly commenced from a planning mode to one of action, engaging in a period of intense activity for the bold new initiatives defined by the Authority and various stakeholders as statewide priorities, and as outlined in *Ke Kumu*. The seven initiatives which comprise the major activities of the Authority during Calendar Year 2000 up through **November 3rd**, are discussed in the following pages.

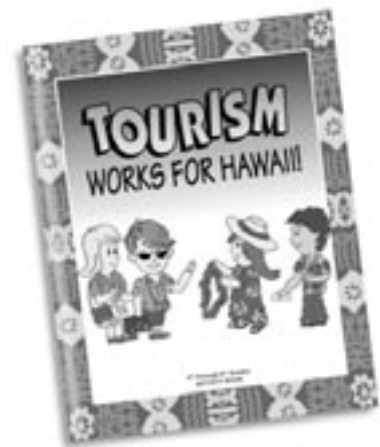
A) Communications and Community Relations: *Implement a communication, education and outreach plan to enhance understanding of, support for, and participation in tourism by the community, visitor industry and government agencies.*

Within this initiative, major activities for this year by the Authority targeted both the community-at-large as well as specific stakeholder groups, as follows:

1. Tourism Education Program for Students, Grades K–12

provides basic information about Hawaii's number one industry—tourism, and informs Hawaii's youth about career opportunities in the visitor industry. Efforts for this year include working with the Department of Education (DOE), visitor industry organizations, and the Visitor Industry Education Council (VIEC) to develop and begin to implement a tourism education program statewide. Launched in the late fall of this year and continued throughout next year, this program includes:

- Development and distribution of DOE-approved tourism curriculum materials for students in grades K–12, at schools and public libraries throughout the State:
 - *Tourism Activity Books* for K–1st grades, 2nd–3rd grades and 4th–6th grades; and
 - Three brochures for 7th–12th grades:
 - *Careers in Hawaii's Visitor Industry* (information on tourism jobs in 13 fields);
 - *You Gotta Look the Part* (information on dress code and grooming standards);
 - *Getting What You Need* (information on ways in which teaching professionals can work with the visitor industry).
- Conducting tourism workshops for students and teachers, visitor industry participation at career days for individual schools and at public libraries.



Tourism Educational Curriculum Materials.



2. Tourism Informational Materials to the general public on various aspects of the tourism industry. Efforts for this year include the following:

- *Tourism Product Development Directory* to inventory Hawaii's offerings (i.e., tourism-related programs, events, activities, attractions or experiences) in seven niche markets: Agritourism, Cultural Tourism, Ecotourism, Edutourism, Health & Wellness Tourism, Sports Tourism and Techno Tourism.
- *Tourism Product Resource Guide* to assist those individuals/businesses interested in improving their businesses as well as their tourism offerings to visitors in the above niche market areas. This guide serves as a source of information on public and private agencies that provide funding, research, grant writing, and other business assistance.
- *Statewide Hiking Brochure*, in partnership with the Department of Land and Natural Resources (DLNR), containing basic information and safety tips to ensure that visitors to Hawaii have safe, enjoyable experiences during their stay in the Islands.

3. Statewide Tourism Awareness Campaign to promote a greater understanding of tourism's contributions to the community-at-large was conducted by the HTA which teamed up with the VIEC. The "Story of the \$20 Bill" spot, a 30-second tourism public service announcement (PSA) was aired through various media to reach the island communities. The spot showed how a visitor's \$20 bill spent during his vacation in Hawaii goes through several transactions, finally ending up in the hands of a Hawaii employee who buys skates for his daughter. The message of the spot, is that "In Hawaii, tourism is everyone's business." Campaign elements included:



\$20 Bill spot.

- Three-month run (April–June) on Wallace Theaters' 59 screens statewide.
- Starting in April, aired as a PSA on Oahu TV stations, Oceanic Cable and Public Access TV stations on Maui, Kauai, Hawaii and Oahu.
- One month run (September) on Consolidated Theaters' screens statewide as a slide.
- Starting in November, the radio version of the spot played as a PSA on radio stations throughout the state.

4. Community Outreach/Programs. The HTA convened the following community outreach efforts and programs targeting residents and visitors:

- *Product Development Workshops* were held in the months of January and February, on the islands of Oahu, Molokai, Maui, Lanai, Hawaii (Hilo and Kona) and Kauai. The purpose of the workshops was to provide the public with a clearer understanding of HTA's Product Development program as well as serve as a communications and

community relations outreach effort by the Authority.

- *Sports & TV/Film Industry Day at the Legislature* was held in February at the State Capitol with over 100 people including key legislators attending this event which included presentations by sports and TV/Film representatives. This event provided a great opportunity for industry representatives, members of the Legislature and the community to receive information and get feedback on these two key areas of interest.
- *Visitor Aloha Society of Hawaii (VASH)*. As part of its community program efforts, the HTA provides funding to VASH chapters throughout the State, who in turn, share aloha to visitors who become victims of crime or other adversities while on vacation in Hawaii. To date, the Oahu and Kauai chapters have received funding from the HTA. Additionally, the HTA, through the Oahu chapter, is working to provide funding to the chapters on Maui and the Big Island of Hawaii once they become operational. Year-to-date, VASH chapters have helped over 560 visitors to Hawaii.



HTA Board & Staff convene the Product Development workshop on Molokai.



Sports Industry Day at the Legislature featured a sports panel including (right to left) HTA Chair Shari Chang, HTA Events Chair Mark Rolfing, Lenny Klompus of Bowl Games Hawaii and HTA CEO Bob Fishman.

In summary, efforts for this initiative have been primarily in the developmental and launching phases. As the targeted audience of this initiative encompasses all Hawaii residents, there certainly is room for improved and increased efforts in the development of multi-level programs to encourage two-way dialogue among the diverse groups of tourism stakeholders and the HTA. Future activities planned for the coming months include the following: 1) Tourism presentations and awareness efforts to various groups and the community-at-large; 2) Community workshops on each island to ensure quality public interface with the Authority; and 3) Continued efforts in the areas of tourism education and infrastructure for Hawaii's youth. This includes working with the DOE and others to expand the Academy of Travel and Tourism Programs throughout the state.

B) Marketing: Increase promotional presence and brand identity to more globally competitive levels to optimize performance in each Major Market Area (MMA).

Tasked with the key responsibility of overseeing the marketing and promotion of Hawaii to the world, the HTA's overriding priority is to allocate sufficient marketing resources to increase the total expenditures made by visitors in Hawaii, thus creating jobs and generating tax revenues for the benefit of Hawaii's residents. In the past, Hawaii was unable to apply ample marketing resources to maintain its fair market share. However, with the creation of the dedicated Tourism Special Fund, Hawaii is now able to deliver a more globally competitive marketing and promotional effort.

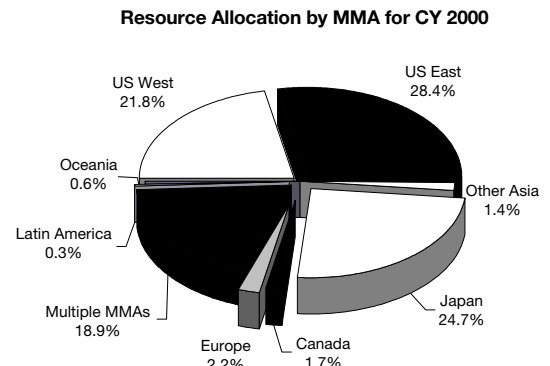
Critical efforts for this initiative were carried out as follows:

1. Tourism Integrated Marketing Services. This year the HTA successfully concluded negotiations for a three-year contract with the HVCB to provide management of global tourism integrated marketing services for the state of Hawaii, exclusive of signature events, product development and the meetings, conventions and incentives markets. Highlights for the year are as follows:

- Based on the levels of resource allocation for each of the Major Market Areas (MMAs), as prioritized by the HTA in *Ke Kumu*, the HVCB prepared its Annual Tourism Marketing Plan (ATMP) in March. This plan serves to guide the bureau's actions in the global leisure market and effectively support the HTA's overall goal of growth in visitor expenditures and visitor days. Resource allocations for MMAs are listed below:
 - Increased emphasis on US West, US East and Japan;
 - Sustained emphasis on Europe and Canada;
 - Developing emphasis on Other Asia, Oceania and Latin America.
- Guided by the above allocations, the HVCB developed budget allocations for each of the MMAs, as follows:

HVCB's CY 2000 MMA Allocations

MMAs	%	\$\$
US West	21.8%	\$ 8,511,904
US East	28.4%	11,067,245
Japan	24.7%	9,616,154
Canada	1.7%	647,964
Europe	2.2%	865,278
Other Asia	1.4%	550,050
Oceania	0.6%	238,050
Latin America	0.3%	131,450
Multiple MMAs	18.9%	7,371,905
TOTALS	100%	\$39,000,000



Source: HVCB ATMP, March 20, 2000

- As outlined in its ATMP, the HVCB developed individual, customized strategies for each of the MMAs, as follows:
 - **US West** - *Familiar Territory with Growth Potential*. Generate incremental growth from core markets by emphasizing the wide variety of vacation experiences in Hawaii.
 - **US East** - *Large Population with Untapped Potential*. Generate growth from underdeveloped markets by leveraging the unique allure of Hawaii and its wide variety of vacation experiences.
 - **Japan** - *Stabilize and Return to Growth in a Key Market*. Generate growth through increased market share of outbound travel from core and underdeveloped gateway markets by leveraging the unique allure of Hawaii, the diversity of its islands and the wide variety of vacation experiences.
 - **Canada** - *Small Market with Incremental Growth*. Generate incremental growth from core markets by emphasizing the wide variety of vacation experiences in Hawaii.
 - **Europe, Other Asia, Oceania, Latin America** - *Growth through Trade Development and Consumer Exposure*. Generate growth from underdeveloped markets by consistently positioning the Hawaii brand and its wide variety of vacation experiences.

In addition to implementation of its global marketing plan for this year, the HVCB and HTA collaborated on an annual review of the Authority's MMA strategies in conjunction with the bureau's ATMP for CY 2001. Additionally, industry leaders throughout the State with expertise and knowledge of the various MMAs were invited to participate in this review. This is significant because for the first time in HVCB's history of 98 years, an annual plan (CY 2001) was prepared prior to the year it was implemented. This has enabled the HVCB to secure long-term marketing commitments and collaborate with travel partners to optimize use of HTA's marketing resources.

Future activities planned for this marketing area include the HTA's efforts to develop a process to assess compliance and performance of HVCB on a regular basis. Such a process would include measurement of the bureau's activities as it relates to their ability to achieve the goals set forth by HTA in terms of visitor expenditures by MMA and visitor days.

2. Conventions, Meetings and Incentives (CMI) Services. This year, the HTA completed negotiations for a three-year contract with the HVCB to provide services for these markets, which can be segmented into two primary components:

- Sales and marketing of the Hawaii Convention Center (HCC) for the express purpose of citywide and other large meetings; and

- Sales, marketing, meetings and convention services to attract and generate leads for Meetings, Conventions and Incentives for better utilization of Hawaii's meetings and convention facilities on all islands exclusive of the HCC.

Research clearly shows that business travelers have higher spending patterns than visitors traveling for leisure and that the business market helps to increase airline yield. Given the HTA's focus on growth in visitor expenditures and stated strategy to facilitate growth in airlift to Hawaii in a way that is profitable to the air carriers, the HTA has identified a level of increased emphasis on the CMI markets, including the Convention Center. Key actions by the HVCB in this important area are described below:

- Expanding its *meethawaii.com* website with comprehensive meeting, convention and incentive information and services (in six languages);
- Developing business image enhancing promotions such as high-tech writers' familiarization tours, development of new business materials, and media briefings prior to conventions;
- Expanding strategic partnerships through an integral marketing training program for CMI within all divisions; and
- Overcoming objections of Hawaii (e.g., distance, resort junket image, etc.) through the following: Industry Advisory Board, client testimonial ads and promotions, destination incentive fund, Kuhina program and aloha-based services.

For these two components, the HVCB's performance as compared to their goals for the year, is as follows:

**HVCB/MCI - Hawaii Convention Center
YTD-Production vs. Goals
January–October 2000**

	Bookings	% of Goal	Attendance	% of Goal	Room Nights	% of Goal
Annual Goal	48	100%	187,500	100%	366,000	100%
YTD Sept. Actual	39	81%	128,850	68.7%	330,189	90%

**HVCB/CMI - Hotel Lead Production
YTD-Production vs. Goals
January–September 2000**

	Leads	% of Goal	Lead Room Nights	% of Goal
Annual Goal	775	100%	482,000	100%
YTD September Actual	676	87%	551,767	114%

Source: HVCB

It is also important to note that this initiative only addresses the marketing aspects of the Hawaii Convention Center. Effective July 1st, the HTA assumed responsibility to manage the center. As such, more information on this, will be provided in later pages as this situation was not yet contemplated when the seven initiatives of *Ke Kumu* were first drafted last June.

C) Events: *Develop and support events that generate cost effective awareness of the Hawaii brand through national and international exposure.*

The HTA recognizes that Hawaii is positioned to take full advantage of its temperate climate, infrastructure and brand marketing expertise to provide an array of prestigious events that will attract participants and spectators to Hawaii as well as provide added value for island residents. As such, this initiative is integral to the HTA's goal of increasing visitor expenditures as creating and enhancing events is a major component of the state's overall strategy to get visitors to spend more.

Serving as a resource and key implementer to the HTA in Events, is TEAM Unlimited, the Authority's event management contractor. In this role, TEAM's efforts for the year can be summarized as follows:

1. Build an event marketing portfolio to support HTA strategy and destination marketing plan;
2. Develop sponsor marketing relationships with governing bodies/decision makers;
3. Proactively secure the most beneficial marketing packages with co-op marketing partners to extend reach and impact of investment (money expended/value received);
4. Develop a rating system for selection and evaluation of HTA-funded events; and
5. Conduct qualitative and quantitative research of the effectiveness of events.

Specific highlights of the year are listed below:

1. For CY 2000, HTA's portfolio of high-profile events consisted of 28 signature and enhanceable events, totaling \$6.3 million (some examples of these events are included throughout these pages). For CY 2001 events, the HTA issued a Request for Proposals (RFP) for these two categories of events in July. At present, recommendations are being considered by the HTA.



Mercedes Championships – PGA Tour golf event at Kapalua, Maui.



Lanai Pine Open Clay Target Shoot (3-day open clay target shooting competition).



Billfish tournaments held off the Kona Coast.

2. A long-term agreement with the National Football League for the NFL Pro Bowl to remain in Hawaii was successfully secured this fall. As one of Hawaii's most valuable signature events, the state is working to realize benefits from a synergy between the NFL, one of the strongest brands in sports, and Hawaii, one of the strongest brands in tourism. With the Pro Bowl and related Pro Bowl activities being televised from Hawaii in what is usually the dead of winter on the U.S. mainland, the result is an effective use of advertising for the state. Under the new agreement which was signed this year, the HTA agrees to pay \$19.75 million to have the NFL Pro Bowl in Hawaii through 2005 and is exploring new revenue sharing opportunities to make the game more cost effective for Hawaii.

3. The Quarterback Challenge, one of the NFL's premier events (HTA's second highest ranked event), returned to Kauai after almost a decade of absence. Filmed in February by CBS, the two-day show highlighted the hottest arms in pro football, including the Colts' Peyton Manning, the Redskins' Brad Johnson, and this year's winner, Jake Plummer of the Arizona Cardinals. Aside from the formal program which showcased the players' athletic talents in the various speed and mobility trials, the players also volunteered to attend the various schools to provide inspirational speeches and lend their time and support to the island's local charities. The event's television debut was equally successful, with an estimated viewership of the event by 2.2 million households on July 22nd and 2.4 million households on July 23rd.



NFL Quarterback Challenge – Televised event from Kauai featuring the 10 premier NFL quarterbacks in a series of quarterback skills competition.

4. The HTA is on the verge of forging a new partnership with the Professional Golfers Association (PGA) TOUR to “lock-in” at least six of professional golf's most popular and prestigious television events. In the past, Hawaii contracted with the local golf event producers for the individual PGA golf events that are held on various islands. For the first time ever, the HTA and PGA are contemplating a new partnership whereby the HTA would contract with PGA as the umbrella organization for a guaranteed number of individual golf events. Since the PGA holds all rights and benefits to the golf events, additional benefits would accrue to the State through this type of arrangement.



Aloha Festivals – State's flagship cultural festival with activities on six major islands featuring the music, dance, arts and crafts, and foods of Hawaii's indigenous and multi-ethnic cultures.

5. Based on the successful results of the present year's events management contract, the HTA sought a long-term contract with a consultant to provide continuity and support to HTA's Event Initiative. Consequently, in September, TEAM Unlimited was awarded a one-year renewable events management and marketing contract for the HTA based on their diverse experience, record of success and network of event marketing and research.

In the future, TEAM will continue to guide the Authority's Events initiative in 2001 and beyond. This will include fine-tuning the portfolio of events funded by the HTA, conducting qualitative and quantitative events-research and building an outstanding and productive events plan for the State of Hawaii.

D) Product Development: *Develop new tourism events, experiences and attractions related to agriculture, culture, education, health & wellness, nature, sports and technology to complement Hawaii's traditional resort product and assist in overall economic diversification. Develop community-based tourism programs.*

Product Development (PD) is about creating community economic development opportunities and community-based tourism events and programs that will: complement Hawaii's traditional resort product; let the community define what and how they want to promote niche tourism; have an impact on the HTA's goal of growth in visitor expenditures; and provide value-added experiences for visitors and residents alike. For these reasons, this initiative is critical to the rejuvenation and diversification of Hawaii's tourism product.



The Healing Island Initiative is a project to refine and expand existing efforts to promote the Island of Hawaii as a world-class center for health, wellness and medical tourism.

HTA's efforts can be broken down as follows:

1. Providing funding to over 100 entrepreneurs, community-based organizations and public agencies throughout the State to develop a wide array of projects in eight niche market areas. In March 2000, the HTA issued an RFP for product development projects in the following niche market areas—Agritourism, Business Development & Attraction, Cultural Tourism, Ecotourism, Edutourism, Health & Wellness, Sports Tourism and Techno Tourism. After a careful review and evaluation of the proposals, the HTA board approved funding for 72 projects spanning all islands, in the amount of \$2.6 million for FY 2001 (examples of some of the projects are highlighted throughout these pages).
2. Providing business assistance to enhance community-based organizations and enable them to operate at a higher level. Such efforts included:
 - Conducting PD workshops in January and February to provide the public with a clearer understanding of HTA's funding process for PD projects;
 - Conducting PD workshops in July and August to offer practical business assistance

in the area of fiscal accountability to community-based organizations; and

- Initiating new requirements for projects funded by the HTA, as follows. All submitting organizations must have: a) 2:1 matching funds requirement to amount of state funds requested; b) financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP); and c) Quarterly draft financials and an annual CPA prepared compilation, review or audit. These higher requirements encourage the organizations to be fiscally accountable and operate at a higher level.

3. Development of a Festivals Plan to provide a framework within which the HTA can continue to develop and support Hawaii festivals as an important product segment for this initiative as well as ensure that it remains a viable part of the community. Recommendations from this plan for the HTA to consider are listed below:

- Identify two types of festivals for funding and other support by the HTA:
 - *Attendance Events*—purpose is to create and develop lifestyle events that generate attendance at and complete the Hawaii activity experience; and
 - *Enrichment Activities*—purpose is to enhance experiences of visitors through cultural activities and events.
- Conduct comprehensive qualitative and quantitative research and information on the impacts of Festivals in Hawaii.
- Become a member of the International Festivals & Events Association (IFEA).

4. As mandated by Act 178, SLH 1999, the HTA has continued its efforts to promote the Techno Tourism niche market of Product Development and Business Development initiatives throughout the State, by providing funding and other assistance in the amount of \$1,030,000 for fiscal year 2001. A brief summary of these efforts follow:



The Molokai Makahiki which features teams competing in ancient Hawaiian games, Hawaiian entertainment and foods, also serves as education for residents and visitors about the importance of the makahiki season in early Hawaiian culture.



8th Annual Lanai Pineapple Festival is a week-long celebration of cultural events and activities.

- Assisting the High Technology Development Corporation (HTDC) with its efforts to coordinate the State's objective of growing the high technology and techno tourism markets. HTDC will conduct research and formulate a Statewide Marketing Plan for Science and Technology that will center on the following technology clusters: Information Technology/Telecommunications, Biotechnology, Medical/Healthcare Technology, Earth/Ocean/Space Sciences, and Defense/Dual Use Technology.



In Celebration of Canoes is a 2-week event in Lahaina bringing together master canoe carvers, cultural warriors and dance halaus in order to provide a meaningful and educational, cultural experience.

- Working with private sector non-profit organizations such as the Pacific Telecommunications Council (PTC) to provide for technical conferences in the Information Technology field. As an example, PTC will attract over 3,000 attendees and garner over \$4 million in visitor expenditures to Hawaii.



Kauai Mokihana Festival 2000 – This weeklong annual celebration serves to preserve and perpetuate traditional and contemporary Hawaiian customs through arts and crafts, music and dance.

- Providing support for additional Science & Technology Conferences including the Global Disaster Information Network (GDIN), Armed Forces Communications & Electronics Association (AFCEA), NASA - Helios Platform, and National Fire Control Symposium (NFCS-BMDO). Together, these conferences will host 8,000 registrants plus 1,000 incremental attendees and provide for visitor expenditures in excess of \$12 million. Additionally the NASA Conference will provide for worldwide media exposure with live coverage from ABC, CBS, NBC and CNN.
- Providing assistance for the Complementary and Alternative Medicine Conference, collaboratively produced by Straub Foundation, Harvard Medical School, Stanford University School of Medicine and Beth Israel Medical Center. This conference is expected to attract the leading medical and technical professionals in the world to Hawaii and generate over \$2.8 million in visitor expenditures.
- Providing funds to continue the implementation of the successful partnership for a focused and integrated Techno Tourism Marketing Program coordinated by the Kauai Economic Development Board in conjunction with private sector partners and the federal government (PMRF). It has been estimated that efforts within this program

on Kauai generate annual visitor expenditures in excess of \$37 million and \$31 million in Testing & Evaluation ROI.

- Supporting the Maui Economic Development Board's Meetings Attraction program. Funds will be used for development and marketing of a "Meetings Attraction" program to showcase Maui's high tech business culture in technical markets such as Silicon Valley, Washington, D.C., San Diego, Austin and Seattle.

Over the next year, the HTA anticipates continued outreach efforts with the community on product development issues through workshops and one-on-one interaction. To this end, the Authority will continue to work with the public agencies and grass-roots community organizations to enhance existing and grow new tourism events, programs, attractions and experiences that provide visitors with a glimpse of our island culture and lifestyle. In the area of festivals, the HTA will continue to define its evolving role.



World Invitational Hula Festival – Three day festival featuring halau from Hawaii and abroad.

E) Airlift: Facilitate growth in airlift to Hawaii in a way that is profitable to the air carriers.

The overall purpose of this initiative is to attract new or increased levels of air service to Hawaii, appropriate to the level of demand from each major market area. To achieve this objective, the HTA established the Airline Facilitation Committee (AFC) in April, to assist in the strategic efforts of this initiative.

The AFC is comprised of a core group of fourteen leading citizens within the community who advise the HTA on airline issues. Each board member of the HTA appointed one AFC member (note: There are no airline members on the AFC). In this role, the AFC would serve two discrete functions:

1. Act as a resource to HTA for policy and strategy development; and
2. Assist the HTA in negotiations and implementation of its strategies.

The AFC has met three times this year and its efforts to date are listed below:

1. Fact finding and research. This includes development of a comprehensive airline database to gather pertinent information on air carriers serving Hawaii. Additionally, a revised white paper on the current status of Hawaii's bilateral agreements with other destinations was completed.

2. Working with other key groups to achieve its objective, including the Airlines Committee of Hawaii and the State Department of Transportation, Airports Division.

3. Prioritization of its work in the following order:

- Educating all members on the myriad of issues involved with this complex initiative;
- Brainstorming possible solutions; and
- Determining how to move forward on the approaches that have been identified by the committee.



The first meeting of the AFC included a presentation by Committee Co-Chair Ron Wright.

In the near future, the AFC will work to develop new and maintain existing relationships with major air carriers in the Mainland U.S. and Asia. Other areas that have been identified as important include the following:

1. Initiate efforts to increase awareness, industry and public support of this key initiative; and
2. Advocate improvements to statewide airports to enhance arrival and departure experiences.

F) Infrastructure and Support Services: *Be a strong advocate for investments in infrastructure and support services to strengthen tourism and enhance resident quality of life, particularly the revitalization of Waikiki and other key tourist destination areas.*

G) Regulations and Investment Incentives: *Support changes in laws, regulations and capital spending to enable development of alternative and diversified products and new attractions while sustaining Hawaii's natural and cultural resources and community values.*

As the governmental entity responsible for administering tourism development from a statewide perspective, the HTA monitors a variety of tourism-related issues and is not limited to marketing and promotion. These two strategic directives—Initiatives F & G—are primarily advocacy roles that the HTA assumes to leverage the efforts of other government agencies, private organizations and individuals in addressing infrastructure, regulatory and tourism support issues. Specific efforts for the year by the Authority include the following:

1. Coordinate with the Department of Land and Natural Resources (DLNR) to identify and assess the conditions of public restrooms at selected state parks and to seek funding for Natural Area Reserve Systems (NARs). NARs contain the best examples of native ecosystems and geological features remaining in Hawaii and provide essential habitats for Hawaii's critically endangered plants and animals.

2. Support airport and harbor greeting programs throughout the State. This program—which continues the honored tradition of welcoming the cruise ships in ports throughout the island chains—includes entertainment, refreshment and informational brochures. It is available at the following harbors: Hilo, Kona, Kahului, Lahaina, Nawiliwili, and Eleele. A similar pilot program was also launched at the Lihue Airport on the island of Kauai during peak arrival and departure times.



Airport greeting program at Lihue Airport on Kauai.

3. Provide testimonial support for various measures during the past legislative session including the improvement of cruise ship facilities statewide and various hotel tax credits.

4. Identification of federal funding sources for preservation of Hawaii's natural resources, restoration and sustainability of State park facilities, and infrastructure improvements. As an example, such funding could be used for the development of improved signage, enhancement of designated trail systems and improvement in roads leading to or in federal parks and areas adjacent to federal highways.

Future efforts by the HTA include ongoing communication and outreach efforts between the HTA and government agencies, visitor industry organizations, business organizations, community groups and media to explain HTA's position on selected tourism issues. The Authority will also continue to seek federal funding opportunities to improve and maintain Hawaii's parks, beaches and other facilities, which are key resident and visitor resources.

IV. OTHER EFFORTS

Several efforts taken this year by the HTA were not contemplated as part of the seven initiatives when *Ke Kumu* was drafted last June. However, as the overall body responsible for tourism management and direction for the state, the HTA took a leadership role in addressing the following issues:

Hawaii Convention Center

At the close of the 2000 session, it was clear that the Legislature's intent was to allow for the Convention Center Authority (CCA), responsible for developing and managing the Hawaii Convention Center (HCC), to sunset as provided by law on June 30, 2000. Although the Legislature did not pass a transition bill assigning permanent responsibility of the center to another agency, the HTA was authorized to oversee and manage this key asset by Executive Order 3817 which was signed by the Governor on May 25, 2000.



The Hawaii Convention Center.

With the CCA's sunset, a series of events was set in motion, including a shifting of custody of HCC property, liquidation of the Convention Center Special Fund, termination of the six exempt employees of the CCA, deactivation of the CCA's rules and regulations for HCC, and other lesser results. In light of these factors, the HTA worked closely with the outgoing CCA board and staff, and SMG, the center's professional management contractor, to ensure a seamless transition of the center between the two agencies and assure the facility's continued, smooth operations.

The following actions were taken by the HTA beginning in July of this year:

1. Adopted a set of interim management operating policies to govern the center's operation. Specifically, these guidelines included expansion of opportunities for local events to utilize the center, although booking priorities still give preference to high-yielding, out-of-state conventions and meetings. The local booking policy ensures optimum use of the center, provides training experience for the center's staff, and strengthens community relations.
2. Realigned the responsibilities to market HCC among the major agencies as follows:
 - a) HVCB to book major conventions from 13 months out; and b) SMG to book the local and short-term calendar events within a six to 13 month window.
3. Requested SMG to re-examine and restructure its fixed costs to operate the center. This resulted in savings of over \$750,000 per year, a step towards increased operating efficiency by SMG and the HTA.

4. Launched a comprehensive outreach effort to enhance community relations for HCC and its operators. To this end, the HTA attended a series of 10 meetings with the neighboring communities during the months of June through August. The purpose of these meetings was to establish a relationship between the community and the HTA, provide information to the community on what is happening with the center, and listen to community concerns.

Hawaii Convention Center Events

Month	1999	2000	% Change
July	0	1	100%
August	1	7	600%
September	4	13	225%
October	4	16	300%
November	2	12	500%
December	3	12	300%
Total	14	61	336%

Source: SMG

Future efforts by the HTA in the coming year include:

- Working with the Legislature to assign permanent responsibility of the center to the HTA;
- Encouraging maximum use of the center, including an increase in the booking pace for the short-term and long-term; and
- Including a separate initiative related to the management of the center in *Ke Kumu* when the plan is updated.

The HCC presents a wonderful opportunity to assist the HTA in achieving its goal of increased visitor expenditures, given that the center's primary purpose is economic generation and drawing new dollars into Hawaii's economy. As an example, as of this writing, events hosted at the center this year, are projected to contribute \$327 million in visitor spending and create tax revenues of \$27 million for the State (note: these are preliminary figures based on an economic impact formula developed by DBEDT).

34th Annual Meeting of the Board of Governors of the Asian Development Bank



In early 2000, the U.S. government reconsidered its agreement to host next year's 34th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) in Seattle. Governor Cayetano, being apprised of the opportunity, sent HTA's CEO Bob Fishman, to Washington, D.C. in April, to commence negotiations to hold this important meeting in Hawaii. The following month, the Governor sent a fact-finding delegation consisting of Mr. Fishman, guber-

natorial executive assistant Brenda Foster and DBEDT Director Seiji Naya to Thailand to attend the 33rd Annual Meeting of the Board of Governors of the ADB. It was there that the United States government officially nominated Hawaii as the site for the 2001 meeting, a move that was subsequently approved by the ADB Board of Governors. Subsequent to the delegation's return, the Governor confirmed that Hawaii would be the site of the ADB's 34th Annual Meeting. The ADB is the largest multilateral investment finance institution in the Asia Pacific region and is owned by 60-member nations organized to promote the social and economic progress of the region.

Scheduled to run May 7–11, 2001 at the Hawaii Convention Center, this important meeting will include a series of seminars on current topics such as the Asian recovery, poverty reduction, economic development, finance, environment and technology. As the host site, Hawaii will actively participate in designing these seminars. The meeting is expected to attract 3,000 participants from every region in the world including top finance ministers, high-level commercial bank representatives, infrastructure developers, interest groups and their families. Hawaii will also benefit from the coverage of the 500 international media representatives expected to attend and the event is estimated to generate \$17 million in expenditures.

The HTA has also been assigned as the executive agency to oversee this prestigious conference, which together with other similar events such as the PBEC 2000 International General Meeting, positions Hawaii as a serious contender for other high-level, international policy gatherings. Staging such meetings are an important breakthrough that will dramatically change Hawaii's image from a purely leisure destination into a safe and serious business crossroads of the Pacific.

Performance-Based Budgeting

In accordance with Act 230, SLH 1998, the HTA, together with the Department of Transportation and the Department of Accounting and General Services was selected to participate in the state's pilot project—*Performance-Based Budget System*. The purpose of the pilot project is to demonstrate the feasibility for moving the state's current budgeting system to a Performance-Based Budget System, which will focus mainly on the results of each organization's programs as opposed to the inputs.

Due to its recent establishment, the HTA has had minimal time to build up an operating history to develop, execute and validate performance measures that are compatible with the certain unique operating characteristics of the agency. Thus, performance measures in this pilot program focus on how well initial base programs have been implemented rather than how well these programs are supporting the broad, long-term strategic precepts of *Ke Kumu*. Nevertheless, participation in this project affords the HTA an opportunity to take a closer look at all of its program areas and develop more meaningful goals, objectives and targets for each of them. The HTA has begun to set initial measures and targets of performance and intends to continually refine them as information becomes available. In the coming months, the HTA will continue to work on linking and developing its activities and measures into an integrated, long-term implementation plan.

V. FUTURE CHALLENGES

Charged with the responsibility of providing oversight for Hawaii's tourism industry and armed with the ample resources of a dedicated tourism fund, the HTA recognizes that the public has very high expectations for this organization and what it can accomplish over the next several years. This is especially true for a newly created agency that is provided \$60 million each year to develop and market the state's number one industry—tourism.

Through its enabling legislation, the HTA is charged to have “a permanent, strong focus on marketing,” and therefore, the bulk of its resources are allocated to accomplishing this directive. Nevertheless, the HTA also understands that its responsibility goes beyond marketing and promotion. As such, the HTA must exercise prudence and discretion in making decisions with its remaining funds, recognizing that it cannot be a solution to all of the challenges facing tourism. To this end, the HTA developed *Ke Kumu* to guide its efforts and provide the framework for determining the roles it will play in Hawaii's tourism industry and the responsibilities that it will assume.

Now in its second year of operation, the HTA faces several challenges in the coming months. In particular, the HTA must continue to seek a balance in the allocation of resources among its various initiatives and programs (e.g., marketing, product development, events, community relations, etc.). The HTA understands the complexities of this situation and recognizes the need for due diligence in any decisions relating to the allocation of funds. With the knowledge and expertise of its contractors and staff, and the input provided by its broad spectrum of key stakeholders, the HTA is confident that the best allocation of resources will be made.

Other challenges relate to business practices and ways in which the Authority can streamline its operations to work more effectively and efficiently. This includes enhancing the agency's contractual procedures, ensuring the release of visitor data in a timely manner and in a manner that is understandable by the general public, assessing the advantages of an annual solicitation of projects as compared to an open, ongoing solicitation, and synchronizing HTA's accounting system with the fluctuations of TAT collections so as not to impact the agency's cash flow.

Finally, the Authority's update of *Ke Kumu* is of critical importance and must be carefully addressed over the coming months. Issues ranging from changes in the marketplace, infrastructure implications, future trends in visitor source markets, increased competition, and public attitude about tourism will all play a significant role in the content and implementation of *Ke Kumu*.

The future will present many new challenges as well as opportunities and it is the Authority's ability to think strategically and work together with the other players in the industry as a team that will ensure that Hawaii has a successful visitor industry that provides a superb quality of lifestyle for its people.

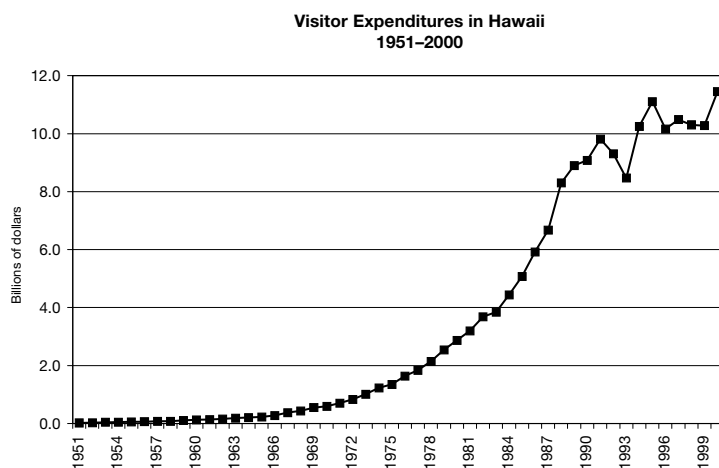
VI. HAWAII'S TRAVEL AND TOURISM INDUSTRY

Preliminary reports indicate that Hawaii's travel and tourism industry experienced dynamic growth in 2000 as compared to the previous year, and that in some segments of the industry, new records were achieved. This includes reaching first-time highs in visitor expenditures and visitor days, attaining record performances within the hotel segment, seeing substantial increases in airlift to the islands, and noting signs of new and enhanced tourism product throughout the State. These are all good news for Hawaii as tourism can and does improve the quality of life for both its residents and visitors alike.

The purpose of these two pages is to communicate information on how the industry did for the year as well as show how tourism contributes to Hawaii. Below are some key findings, based on the latest research available:

Visitor Expenditures

Total visitor expenditures for 2000 is expected to surpass 1999 figures by a sizable 11.5 percent. At \$11.46 billion*, this would be the highest figure ever recorded in the state's history, for visitor spending. What's significant, is the fact that these expenditures help to support the 181,050 tourism jobs in Hawaii or 32 percent of total jobs in the state.**



Source: DBEDT

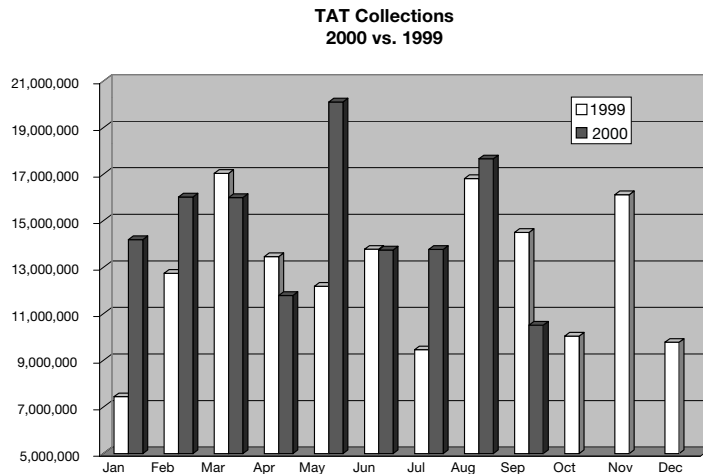
TAT Collections

Another measurement of the industry's performance is the amount of TAT collections that the state receives each month. The more TAT collected, the more benefits that are accrued to the state as a whole and to the individual counties, which therefore benefits Hawaii's residents. Of the monthly revenues collected:

- 17.3 percent is deposited into the convention center capital special fund;

- 37.9 percent is deposited into the tourism special fund (HTA's fund); and
- 44.8 percent is distributed to the counties (14.5 percent to Kauai, 18.6 percent to Hawaii, 22.8 percent to Maui and 44.1 percent to Honolulu).

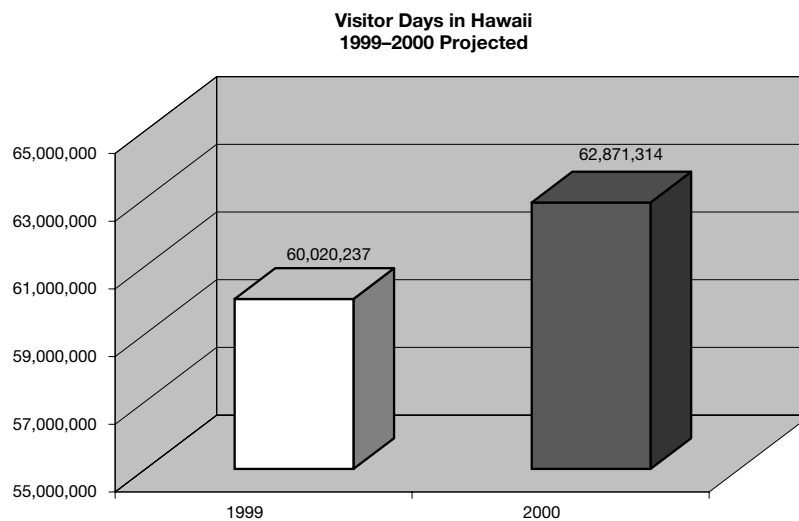
Year-to-date 2000 (through September), show TAT collections to be at \$133.8 million, an increase of 14 percent over the same time period last year as shown below:



Source: Department of Taxation

Visitor Days

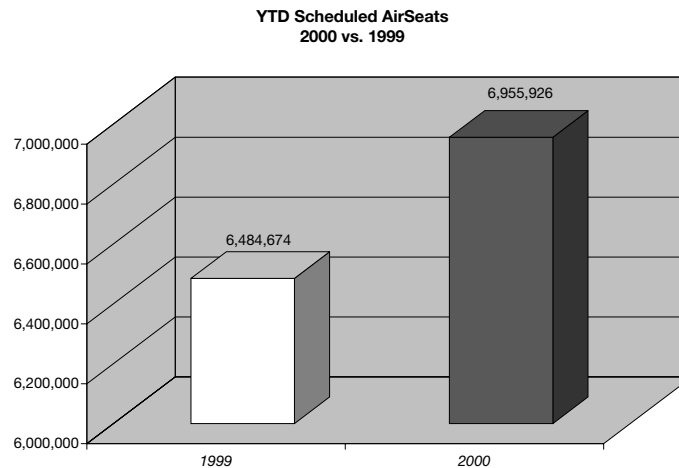
By year-end, 2000 visitor days is projected to reach 62.9 million, a significant increase of 4.8 percent over 1999. With a focus on increasing visitor days, the HTA's goal of increasing visitor expenditures for the state may be achieved, without necessarily tying that growth to increased visitor arrivals. (Visitor days are a combination of length of stay multiplied by visitor arrivals.)



Source: DBEDT

Airlift to Hawaii

Increasing airlift to the Islands is one of the HTA's strategic initiatives. As such, the HTA is pleased to report that as of September 2000, nearly 511,252 scheduled seats have been or will be added this year, compared to the same time period one year ago (an increase of 7.3 percent).



Source: DBEDT

Contributions of Hawaii's Travel & Tourism's Economy in 2000**

- Hawaii's Travel & Tourism Economy is estimated to account for approximately 181,050 jobs or 32 percent of total employment;
- Hawaii's Travel & Tourism Economy is expected to produce \$9.4 billion or roughly 26.07 percent of Gross State Product;
- Hawaii's Travel & Tourism Economy taxes are expected to total \$2.0 billion or approximately 26.8 percent of total taxation.

Sources:

* 2000 preliminary figures are provided by DBEDT.

** Figures are provided by the WTTC Hawaii Tourism Report 1999 report.

HAWAII TOURISM AUTHORITY FISCAL YEAR 2000 ACTUALS (\$000)

REVENUES

Tourism Special Fund (37.9% TAT Collections)	\$63,887
Investment Pool Interest	248

TOTAL REVENUES**\$64,135****TOTAL APPROPRIATIONS****\$60,000****HTA EXPENDITURES**

Administrative Costs (3% cap)	1,666
Sports & Events Marketing	5,347
Public Information & Education	169
Product Development	4,133

HAWAII VISITORS & CONVENTION BUREAU
(Includes Island Chapters)

Marketing and Events Costs	40,414
Meetings, Conventions & Incentives Costs	4,500
Pro Bowl	3,506

TOTAL HTA EXPENDITURES**\$59,735**

RESPONSIBILITIES OF THE HAWAII TOURISM AUTHORITY

According to HRS 201B (Act 156), the Hawaii Tourism Authority is authorized to:

- Create a vision and develop a long-range plan for tourism in Hawaii, including product development, infrastructure and diversification issues;
- Develop, coordinate and implement State policies and directions for tourism and related activities taking into account the economic, social and physical impacts of tourism on the state;
- Develop and implement the State tourism strategic marketing plan, which shall be updated every three years, to promote and market the state as a desirable visitor destination;
- Have a permanent, strong focus on marketing and promotion;
- Conduct market development-related research as necessary;
- Coordinate all agencies and advise the private sector in the development of tourism-related activities and resources;
- Work to eliminate or reduce barriers to travel in order to provide a positive and competitive business environment, including coordinating with the Department of Transportation on issues affecting airlines and air route development;
- Market and promote sports-related activities and events;
- Coordinate the development of new product lines with public and private sectors, including the development of sports, culture, health, education, business and eco-tourism;
- Establish a public information and education program to inform the public of tourism and tourism-related problems;
- Encourage the development of tourism educational, training and career counseling programs; and
- Establish a program to monitor, investigate, and respond to complaints about problems resulting directly or indirectly from the tourism industry and taking appropriate action as necessary.

